

(a) We may grant you an exemption from the standards and requirements of this part for a new engine on the grounds that it is to be used solely for competition. The requirements of this part, other than those in this section, do not apply to engines that we exempt for use solely for competition.

(b) We will exempt engines that we determine will be used solely for competition. The basis of our determination is described in paragraphs (c) and (d) of this section. Exemptions granted under this section are good for only one model year and you must request renewal for each subsequent model year. We will not approve your renewal request if we determine the engine will not be used solely for competition.

(c) Engines meeting all the following criteria are considered to be used solely for competition:

(1) Neither the engine nor any vessels containing the engine may be displayed for sale in any public dealership or otherwise offered for sale to the general public. Note that this does not preclude display of these engines as long as they are not available for sale to the general public.

(2) Sale of the vessel in which the engine is installed must be limited to professional racing teams, professional racers, or other qualified racers. For replacement engines, the sale of the engine itself must be limited to professional racing teams, professional racers, other qualified racers, or to the original vessel manufacturer.

(3) The engine and the vessel in which it is installed must have performance characteristics that are substantially superior to noncompetitive models.

(4) The engines are intended for use only as specified in paragraph (e) of this section.

(d) You may ask us to approve an exemption for engines not meeting the criteria listed in paragraph (c) of this section as long as you have clear and convincing evidence that the engines will be used solely for competition.

(e) Engines are considered to be used solely for competition only if their use is limited to competition events sanctioned by the U.S. Coast Guard or another public organization with authorizing permits for participating com-

petitors. Operation of such engines may include only racing events, trials to qualify for racing events, and practice associated with racing events. Authorized attempts to set speed records are also considered racing events. Engines will not be considered to be used solely for competition if they are ever used for any recreational or other non-competitive purpose. Use of exempt engines in any recreational events, such as poker runs and lobsterboat races, is a violation of 40 CFR 1068.101(b)(4).

(f) You must permanently label engines exempted under this section to clearly indicate that they are to be used only for competition. Failure to properly label an engine will void the exemption for that engine.

(g) If we request it, you must provide us any information we need to determine whether the engines are used solely for competition. This would include documentation regarding the number of engines and the ultimate purchaser of each engine as well as any documentation showing a vessel manufacturer's request for an exempted engine. Keep these records for five years.

§ 1045.625 What requirements apply under the Diurnal Transition Program?

The provisions of this section allow vessel manufacturers to produce a certain number of vessels with installed fuel tanks that do not meet the diurnal emission standards specified in §1045.112(d) and 40 CFR 1060.105. The provisions of this section do not apply for portable marine fuel tanks, personal watercraft, or outboard engines with under-cowl fuel tanks. Vessels you produce under this section are exempt from the prohibitions in 40 CFR 1068.101(a)(1) with respect to diurnal emissions, subject to the provisions of this section.

(a) *General.* If you are a vessel manufacturer, you may introduce into U.S. commerce limited numbers of exempted vessels under this section. You may use the exemptions in this section only if you have primary responsibility for designing and manufacturing vessels and your manufacturing procedures include installing some engines in these vessels. Consider all U.S.-directed vessel sales in showing that you meet the

requirements of this section, including those from any parent or subsidiary companies and those from any other companies you license to produce vessels for you. These provisions are available for vessels you produce during the periods specified in paragraph (b) of this section.

(b) *Allowances.* You may choose one of the following options to produce exempted vessels under this section:

(1) *Percent-of-production allowances.* You may produce up to 50 percent of your vessels from July 31, 2011 through July 31, 2012 that are exempt from the diurnal emission standards. Calculate this percentage based on your total U.S.-directed production volume.

(2) *Small-volume allowances.* Small-volume vessel manufacturers may produce up to 1200 vessels from July 31, 2011 through July 31, 2013 that are exempt from the diurnal emission standards.

(c) *Vessel labeling.* You must add a permanent label, written legibly in English, to a readily visible part of each exempted vessel you produce under this section. You may combine this with the label required under 40 CFR 1060.135. This label must include at least the following items:

(1) The label heading "EMISSION CONTROL INFORMATION".

(2) Your corporate name and trademark.

(3) The vessel's date of manufacture.

(4) The following statement: "THIS VESSEL IS EXEMPT FROM DIURNAL STANDARDS UNDER 40 CFR 1045.625."

(d) *Notification and reporting.* You must notify us of your intent to use the provisions of this section and send us an annual report to verify that you are not exceeding the allowances, as follows:

(1) Before you produce vessels that are exempt under this section, send the Designated Compliance Officer a written notice of your intent with the following information:

(i) Identify your company's name and address, and your parent company's name and address, if applicable.

(ii) Identify the name, e-mail address, and phone number of a person to contact for further information.

(iii) Identify the name and address of the company you expect to produce the

fuel tanks you will be using for the vessels exempted under this section.

(iv) If you qualify as a small-volume vessel manufacturer, state whether you will comply under paragraph (b)(1) or (b)(2) of this section.

(v) Include your production figures for the period from July 31, 2009 through July 31, 2010, including figures broken down by model.

(2) Send the Designated Compliance Officer a written report by December 31, 2012. If you are a small-volume manufacturer using the provisions of paragraph (b)(2) of this section to produce exempted vessels after July 31, 2012, send us a second report by December 31, 2013. These reports must include the total number of vessels and the number of exempted vessels you sold in the preceding year for each model, based on actual U.S.-directed production information. You may omit the count of compliant vessels if you include in the report a statement that you are not using the percent-of-production allowances in paragraph (b)(1) of this section. If you initially comply using the percent-of-production allowances in paragraph (b)(1) of this section, you may not use the small-volume allowances in paragraph (b)(2) of this section for later production.

(3) If you send your initial notification under paragraph (d)(1) of this section after the specified deadline, we may approve your use of allowances under this section. In your request, describe why you were unable to meet the deadline. We will not approve your request if the delay could have been avoided with reasonable care and discretion.

(e) *Recordkeeping.* Keep the following records of all exempted vessels you produce under this section:

(1) The model number, serial number, and the date of manufacture for each vessel.

(2) The total number or percentage of exempted vessels as described in paragraph (b) of this section and all documentation supporting your calculation.

(3) The notifications and reports we require under paragraph (d) of this section.

(f) *Provisions for fuel tank manufacturers.* As a fuel tank manufacturer, you may produce fuel tanks as needed for

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vessel manufacturers under this section without our prior approval. These fuel tanks are exempt from the diurnal emission standards. Note that this diurnal exemption does not affect the requirements related to permeation emissions specified in §1045.112. You must have written assurance from vessel manufacturers that they need a certain number of exempted fuel tanks under this section. You must keep records of the number of exempted fuel tanks you sell to each vessel manufacturer.

(g) *Enforcement.* Producing more exempted vessels than we allow under this section violates the prohibitions in 40 CFR 1068.101(a)(1). Vessel manufacturers and fuel tank manufacturers must keep the records we require under this section until at least December 31, 2017 and give them to us if we ask for them (see 40 CFR 1068.101(a)(2)).

§ 1045.630 What is the personal-use exemption.

This section applies to individuals who manufacture recreational vessels for personal use with used engines. If you and your vessel meet all the conditions of this section, the vessel and its engine are considered to be exempt from the standards and requirements of this part that apply to new engines, including standards and requirements related to evaporative emissions. For example, you are not required to use certified fuel system components or otherwise obtain certificates of conformity showing that the vessel meets evaporative emission standards, and you do not need to install a certified engine.

(a) The vessel may not be manufactured from a previously certified vessel, nor may it be manufactured from a partially complete vessel that is equivalent to a certified vessel. The vessel must be manufactured primarily from unassembled components, but may incorporate some preassembled components. For example, fully preassembled steering assemblies may be used. You may also power the vessel with an engine that was previously used in a highway or land-based nonroad application.

(b) The vessel may not be sold within five years after the date of final assembly.

(c) No individual may manufacture more than one vessel in any five-year period under this exemption.

(d) You may not use the vessel in any revenue-generating service or for any other commercial purpose. For example, this exemption does not apply for vessels used in commercial fishing or charter service.

(e) This exemption may not be used to circumvent the requirements of this part or the requirements of the Clean Air Act. For example, this exemption would not cover a case in which a person sells an almost completely assembled vessel to another person, who would then complete the assembly. This would be considered equivalent to the sale of the complete new vessel. This section also does not allow engine manufacturers to produce new engines that are exempt from emission standards and it does not provide an exemption from the prohibition against tampering with certified engines.

§ 1045.635 What special provisions apply for small-volume engine manufacturers?

This section describes how we apply the special provisions in this part for small-volume engine manufacturers.

(a) Special provisions apply for certain small-volume engine manufacturers, as illustrated by the following examples:

(1) Additional lead time and other provisions related to the transition to new emission standards. See §1045.145.

(2) More flexible arrangements for creating engine families for high-performance engines. See §1045.230.

(3) Assigned deterioration factors. See §1045.240.

(4) Waived requirements for production-line testing. See §1045.301.

(5) Additional special provisions apply for small-volume engine and vessel manufacturers. For example, see §1045.625 and 40 CFR 1068.250.

(b) If you use any of the provisions of this part that apply specifically to small-volume engine manufacturers and we find that you do not qualify to use these provisions, we may consider you to be in violation of the requirements that apply for companies that are not small-volume engine manufacturers. If your number of employees